



STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS
California's Investment and Financing Authority

INVESTOR ALERT

05-12

Arnold Schwarzenegger, Governor

Wayne Strumpfer, Acting Commissioner

FOR IMMEDIATE RELEASE

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**CALIFORNIA DEPARTMENT OF CORPORATIONS
WARNS INVESTORS TO BEWARE OF FAKE SECURITIES REGULATORS**

SACRAMENTO, CA – The California Department of Corporations (Corporations) today is alerting Californians about scam artists who pose as phony securities regulators to swindle unsuspecting investors into fraudulent transactions. According to the North American Securities Administrators Association (NASAA), state securities regulators in Massachusetts, Missouri, Montana, New Jersey and Colorado have uncovered such scams known as “advance-fee” scams.

“These scam artists are playing off the good reputation of securities regulators that oversee the financial services markets,” said acting Corporations Commissioner Wayne Strumpfer. “Californians need to be aware of these phony securities regulators. Our department wants to assure investors that the financial services markets are fair, regulated and well-monitored.”

Investors are contacted by fake companies who obtain information about investors’ actual holdings and offer to purchase their shares at premiums well above their actual market value. One such scam involved a con artist who claimed to be purchasing shares that trade over-the-counter on behalf of an anonymous entity interested in discreetly gaining control of the corporation, but will do so for a large fee. In another incident, a phony securities regulator told the victim he could recover losses from an investment by paying over \$20,000 to the fraudulent securities department to get his money back.

NASAA reports that in some instances, scam artists obtain information about investors’ holdings from investor complaint forms submitted on the phony securities regulators’ Web sites. Authorities are trying to determine in other situations how the con artists obtain legitimate information about investors’ holdings.

The investors are then referred to fraudulent securities regulators with such names as Securities Compliance Department Central Office, the International Public Shareholder Protection Service, the International Trade Services, and other regulatory-sounding names. Many of the victims are overseas investors who are tricked into thinking these are valid securities regulators. The Web sites appear to be legitimate and even list addresses and telephone numbers in the United States. (Visit NASAA’s Web site at www.nasaa.org to view screenshots of phony securities regulators’ Web sites.)

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Top 5 Warning Signs of a Phantom Regulator

To help investors determine if they are dealing with a bogus regulator, NASAA issued the following warning signs:

1. You cannot find references to them on any other regulatory Web sites. If you can't find information about the "regulator" on the site of the International Organization of Securities Commissions, www.iosco.org, they probably are not a legitimate regulator.
2. They endorse or approve any investment opportunity, stock, or company. Legitimate regulators are not in the business of promoting any deal, only enforcing securities laws and ensuring fair dealing.
3. They say that paying a fee to "release restricted shares" is not an attempt to steal your savings. This is a common ploy, a recent twist on age-old advance fee schemes.
4. Little or no information about the "regulator" appears in Internet search engines. Any legitimate regulator should generate hundreds of entries in any Internet search engine.
5. If you talk to other regulators, and they say they have "never heard of them," you are most likely dealing with a fake regulator.

The Department of Corporations is California's investment and financing authority and is responsible for the regulation, enforcement, and licensing of securities, franchises, off-exchange commodities, investment and financial services, independent escrows, consumer and commercial finance lending, residential mortgage lending, and payday lenders. Contact our toll-free consumer resource center at 1-866-ASK-CORP (275-2677) for information or to obtain a consumer complaint form. Please visit Corporations' Web site at www.corp.ca.gov.

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